

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7419

BILL NUMBER: HB 1546

NOTE PREPARED: Feb 16, 2009

BILL AMENDED: Feb 16, 2009

SUBJECT: Public Retirement Fund Benefits.

FIRST AUTHOR: Rep. Niezgodski

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill:

- (1) permits members of the Teachers' Retirement Fund (TRF) and the Public Employees' Retirement Fund (PERF) to change investment selections once each day, with the change being effective on the next business day after the fund receives the change notice;
- (2) establishes the market valuation date of a member's investment as of five business days before the date of the member's distribution or annuitization at retirement, disability, or suspension and withdrawal;
- (3) codifies a noncode provision that permits members of the Legislator's Retirement System to change investment selections once each day;
- (4) repeals the noncode provision; and
- (5) provides for a thirteenth check for members, survivors, and beneficiaries of the Public Employees' Retirement Fund and retirees of the Legislators' Defined Benefit Plan.

Effective Date: (Amended) July 1, 2009; January 1, 2010.

Explanation of State Expenditures: (Revised) (1-3) Changing investment selections and establishing the market valuation date of a member's investment will have no fiscal impact on PERF and TRF. The funds affected are the respective administrative funds.

(5) The cost of providing a 13th check for PERF is shown in the table below.

13 th Check	State	Local	Total
Change in Unfunded Accrued Liability	\$9.2 M	\$12.6 M	\$21.8 M
Change in Annual Funding	\$709,000	\$974,000	\$1.683 M
Change in Annual Funding as % of Pay	0.04%	0.03%	0.04%

The funded status would decrease from 97.5% to 97.4%.

The funds affected are the state General Fund 55%, or \$389,950, and various dedicated funds 45%, or \$319,050. The percentage split represents the split in the personal services of the State Budget.

The bill also provides a thirteenth check for retired members of the Legislators' Defined Benefit Plan.

Legislators' Defined Benefit Plan	
13th Check	
Change in Unfunded Accrued Liability	\$11,200
Change in Annual Funding	\$860
Change in Annual Funding (per participant)	\$8

The fund affected is the state General Fund. The funded status would decrease from 101.6% to 101.4%.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: All

Local Agencies Affected: Those units with members in PERF.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF, 317-576-1508; Steve Barley, Chief Operating Officer of PERF and Deputy Director; 317-233-4184.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Funded Status - The ratio of the assets of a pension plan to its liabilities.

Funding- A systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

Thirteenth Check - An annual supplemental retirement allowance arising from earnings on the investments of a system in excess of those determined as needed for other purposes.

Unfunded Actuarial Liability -The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.